

## Message Text

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ACTION SS-30

INFO OCT-01 ISO-00 SSO-00 /031 W  
----- 088297

R 061251Z FEB 74 ZDK  
FM AMEMBASSY KUWAIT  
TO SECSTATE WASHDC 8703  
INFO AMEMBASYY JIDDA

S E C R E T SECTION 1 OF 2 KUWAIT 0488

EXDIS

EO 11652: GDS  
TAGS: ENRG KU US  
SUBJ: KUWAITI POSITION ON LIFTING THE OIL EMBARGO

SUMMARY: GOK IS IMPELLED TO CONTINUE OIL EMBARGO FOR ECONOMIC AS WELL AS POLITICAL REASONS. ECONOMICALLY GOK IS CONCERNED TO MINIMIZE PRODUCTION SO ITS OIL PRODUCTION LIFE IS LONGER AND NO MORE FUNDS ARE GENERATED THAN CAN BE USEFULLY UTILIZED OR PROFITABLY INVESTED. POLITICALLY, GOK GAINS CREDIT IN EYES OF LOCAL PRESS AND RADICAL AND TRADITIONAL ARAB ELEMENTS, IN ASSEMBLY AND ELSEWHERE, FROM MAINTAINING EMBARGO AGAINST US. IT WOULD INCUR HEAVY CRITICISM FOR PUBLICLY LIFTING EMBARGO -- A PENALTY GOK MOST RELUCTANT TO PAY, EVEN THOUGH IT MAY REALIZE BEST COURSE WOULD BE TO LIFT IT. PROBABLY BEST WE CAN HOPE FOR IS TACIT GOK AGREEMENT EMBARGO SHOULD BE LIFTED AND PERHAPS GREATER READINESS TO ACCEPT SAUDI LEAD IN LIFTING IT IN CLOSED FORUM WHERE GOK POSITION CANNOT BE PUBLICLY IDENTIFIED. END SUMMARY

1. KUWAITI VIEW OF THE OIL EMBARGO IS COMPLEX AND COMPOSED OF LONG-RANGE NATIONAL ECONOMIC FACTORS AND THE IMMEDIATE POLITICAL AIM OF USING OIL AS A WEAPON IN THE ARAB EFFORT REGAIN LOST ARAB LANDS.

2. THE ECONOMIC IMPERATIVES ARE FAR AND AWAY THE MOST IMPORTANT. AS LITTLE COUNTRY OF FIVE THOUSAND SQUARE MILES OF DESERT,  
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KUWAIT SEES ITSELF TOTALLY DEPENDENT UPON ITS OIL EITHER FOR DIRECT INCOME FROM SALE (AND SUBSEQUENT INVESTMENT OF PROCEEDS) OR AS FUEL FOR FUTURE INDUSTRIES WITHIN KUWAIT. FIGURES USUALLY USED BY FOREIGNERS SHOW KUWAITI RESERVES AT 65-70 BILLION

BARRELS; THUS AT NORMAL KUWAIT PRE-SEPTEMBER, 1973 PRODUCTION OF ONE BILLION BARRELS YEARLY OR THREE MILLION BARRELS A DAY, THE OIL IN KUWAIT SHOULD LAST 65-70 YEARS. WHEN KUWAITIS, INCLUDING MINFINANCE AND OIL ATEEQI TALK ABOUT RESERVES, HOWEVER, THEY SAY KUWAITI OIL MIGHT NOT LAST BEYOND TWENTY YEARS OR SO. FEAR THAT THEIR OIL WILL RUN OUT SOON IS, I BELIEVE, SINGLE MOST IMPORTANT FACTOR BEARING ON KUWAITI OIL POLICY TODAY.

3. IT FOLLOWS THAT KUWAITIS WANT HIGHEST POSSIBLE PRICES FOR OIL WHILE IT LASTS. GRAPHICALLY, KUWAITIS SEE OIL AND NATIONAL INCOME CURVE STARTING AT ZERO IN, SAY, 1948, RISING STEADILY TO HIGH POINT IN THE 70S AND STARTING DOWNWARD THEREAFTER. SHARPNESS OF DOWNWARD CURVE WILL DEPEND ON OPPORTUNITIES TO INVEST PROFITABLY ABROAD AND SUCCESS OF INDUSTRIALIZATION AT HOME OVER LONGER PULL.

4. LOOKING AT KUWAIT'S OIL SITUATION FROM THIS PERSPECTIVE HELPS EXPLAIN WHY ARAB OIL EMBARGO SUITS KUWAITIS SO WELL. GOK CAN TAKE POLITICAL CREDIT FOR BEING IN FOREFRONT OF ARAB STRUGGLE TO REGAIN ARAB LANDS AND FOR GENERALLY ENDORSING "PROGRESSIVE" ARAB POSITIONS BECAUSE THEY DO NOT CONFLICT, AT LEAST FOR MOMENT, WITH COUNTRY'S NATIONAL OIL INTERESTS. KUWAIT THUS THINKS IT CAN HAVE ITS CAKE AND EAT IT TOO.

5. OUR JOB IS TO KEEP IMPRESSING ON KUWAITIS THAT, WHILE WE UNDERSTAND THEIR LONG-RANGE ECONOMIC CONCERNs AND INDEED WE THINK THERE ARE VERY IMPORTANT BENEFITS TO BE GAINED BY US-KUWAITI COOPERATION TO MEET THEM, THE OIL EMBARGO ITSELF HAS BECOME A DANGEROUSLY SHORTSIGHTED POLICY. KUWAIT MUST IN ITS OWN INTEREST KEEP ITS EYE ON THE BALL. THE BALL IS IMPLEMENTATION OF RES 242. THERE ARE MANY DIFFICULTIES THAT WERE ALWAYS INHERENT IN TRYING TO FIND A PEACEFUL SETTLEMENT IN THE MIDEAST.

6) IN ADDITION THERE ARE POWERFUL PRESSURES ON THE US ADMINISTRATION TO END ITS PRESENT EFFORTS IN THE MIDEAST. WE TELL KUWAITIS WE ARE NOT REFERRING HERE TO ZIONIST PRESSURE. WE ARE TALKING ABOUT THE OPINIONS OF THE AMERICAN PEOPLE AND THE CONGRESS WHICH REFLECTS THESE OPINIONS. THE PRESIDENT AND DR.

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KISSINGER WILL BE UNABLE TO CONTINUE PRESENT EFFORTS IN MIDEAST IF THEY LOSE SUPPORT BACK HOME. THEY WILL RETAIN THAT SUPPORT IF THEIR EFFORTS ARE SEEN TO BE ACCEPTABLE TO BOTH SIDES IN MIDEAST AND ENHANCING US INTEREST IN AREA; THEY WILL LOSE IT IF THE EVIDENCE IS ARABS ARE INTENT ON PUNISHING THE US. KUWAITIS, LIKE OTHER ARAB OIL PRODUCERS, ARE THEREFORE FACED WITH CLEAR CHOICE: DO THEY WANT TO TAKE ADVANTAGE OF PRESENT UNIQUE OPPORTUNITY TO ACHIEVE RETURN OF ARAB LANDS LOST IN 1967 OR LET IT GO? IF KUWAIT HAS SOME SPECIAL CONCERNs THAT APPEAR TO THEM TO OVERRIDE THEIR ABILITY TO LIFT THE OIL EMBARGO, WHAT ARE THEY?

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ACTION SS-30

INFO OCT-01 ISO-00 SSO-00 /031 W

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FM AMEMBASSY KUWAIT

TO SECSTATE WASHDC 8704

INFO AMEMBASSY JIDDA

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6. WELL, WE KNOW SOME OF THEM WITHOUT ASKING. KUWAITIS CONSTANTLY FEEL BEADY EYES OF PALESTINIAN MILITANTS, IRAQIS AND SYRIANS UPON THEM, AND KUWAITI LEADERSHIP WORRIES ABOUT INTERNAL OPPOSITION, MUCH OF WHICH REFLECTS NOT ONLY THESE SAME OUTSIDE FORCES BUT ALSO THE TRADITIONAL MERCHANT CLAN RIVALRY WITH RULING FAMILY OF SABAH. RULERS ARE DESPERATELY AFRAID OF TAKING ANY CHANCES ON BECOMING DISCREDITED BEFORE THESE ELEMENTS AND THEREFORE TRY TO BE MORE PAPIST THAN THE POPE ON ALL POPULAR ISSUES.

7. MINFINANCE AND OIL ATEEQI, KEY OFFICIAL IN HIS OWN RIGHT AND ALSO VERY CLOSE TO CENTER OF POWER IN GOK, PM/CP JABER AL-AHMAD, EXPRESSED SOME CURRENT KUWAITI CONCERNs TO BALL AND PETERSON LAST WEEK HERE IN KUWAIT AS FOLLOWS:

A. RE LIFTING OIL EMBARGO, HE SAID, GOK ACCEPTS THAT US IS ONLY COUNTRY PRESENTLY SERIOUSLY WORKING FOR SETTLEMENT AND THAT KISSINGER IS CAPABLE OF AND COMMITTED TO PURSUING PROCESS FOR EFFECTIVE SETTLEMENT. HOWEVER, STEPS TAKEN SO FAR, INCLUDING DISENGAGEMENT, DO NOT CONSTITUTE RATIONALE ENOUGH FOR ABANDONING OIL WEAPON. FURTHER DR. KISSINGER IS ONLY ONE MAN, ALBEIT A MOST IMPRESSIVE AND EFFECTIVE ONE -- AND GOK CANNOT JUSTIFY BASING ITS POLICY ON EFFORTS OF ONLY ONE MAN. WHAT IF HE DISAPPEARED FROM SCENE RIGHT NOW? ISRAEL WOULD BE LEFT IN STRONGER POSITION THAN EVER AND KUWAIT LEFT ON RECORD AS BEING IN FAVOR OF WHAT US HAD ACCOMPLISHED TO DATE.

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B. RE HIGH PRICE OF OIL, ATEEQI SAID GOK NOT BASICALLY CONCERNED WITH PRICE, BUT WITH PURCHASING POWER. PROBLEM IS HOW PRICE AND VALUE RELATIONSHIPS BETWEEN OIL AND OTHER BASIC WORLD COMMODITIES CAN BE ESTABLISHED TO CONTROL INFLATION. HE FELT STRONGLY THAT FEB 11 ENERGY CONFERENCE SHOULD CONSIDER

BOTH THESE ASPECTS OF PROBLEM. RE OIL PRODUCTION, ATEEQI CLEARLY IMPLIED THAT KUWAIT'S NATIONAL ECONOMIC INTERESTS REQUIRED THAT IT CUT BACK ITS OIL PRODUCTION, IN ORDER NOT TO GENERATE DEPRECIATING "STERILE MONEY" (BALL'S EXPRESSION) WHICH CANNOT BE INVESTED USEFULLY AND PROFITABLY AND LANGUISHES IN THE BANK. AT SAME TIME ATEEQI SAID GOK STRONGLY WELCOMED AND WOULD SUPPORT, WITH ITS EXCESS FUNDS, ENTERPRISES SPECIALIZING IN DEVELOPMENT OF ALTERNATE ENERGY SOURCES: SHALE OIL, SOLAR ENERGY AND THE LIKE.

8. WHEN ALL SAID AND DONE, KUWAIT AND ARABS STILL HAVE US EFFORTS TO HELP SOLVE MIDEAST CONFLICT AS THEIR BEST BET -- PERHAPS THEIR ONLY BET. THIS WE HAVE TO CONVINCE THEM OF. WE WILL CONTINUE TO TRY TO PUT SOME BACKBONE INTO THE GOK RE LIFTING OIL EMBARGO, BUT IT MAY WELL BE THAT THE MOST WE CAN HOPE FOR IS TACIT GOK AGREEMENT WITH US, AND PERHAPS A GREATER READINESS TO ACCEPT SAUDI LEAD ON THIS ISSUE IN A FORUM, E.G. OIL NPNISTERS MEETING WHERE GOK POSITION WILL NOT BE IDENTIFIED PUBLICLY. IN THE FINAL ANALYSIS HOWEVER SAUDIS MAY HAVE TO GO IT ALONE. AND IN TERMS OF CRUDE OIL, KUWAIT'S OIL EMBARGO ON US IS NEGLIGIBLE ANYWAY: ABOUT 50,000 BARRELS PER DAY.

STOLTZFUS

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## Message Attributes

**Automatic Decaptoning:** Z  
**Capture Date:** 27 JUL 1999  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** OILS, AGREEMENTS, ECONOMIC CONDITIONS, EMBARGOES  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 06 FEB 1974  
**Decaption Date:** 28 MAY 2004  
**Decaption Note:** 25 YEAR REVIEW  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** golinofr  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1974KUWAIT00488  
**Document Source:** ADS  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** n/a  
**Film Number:** P740146-0121  
**From:** KUWAIT  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1974/newtext/t19740268/abbrzaxc.tel  
**Line Count:** 188  
**Locator:** TEXT ON-LINE, TEXT ON MICROFILM  
**Office:** ACTION SS  
**Original Classification:** SECRET  
**Original Handling Restrictions:** EXDIS  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 4  
**Previous Channel Indicators:**  
**Previous Classification:** SECRET  
**Previous Handling Restrictions:** EXDIS  
**Reference:** n/a  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** golinofr  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 21 AUG 2002  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <21 AUG 2002 by martinml>; APPROVED <10 DEC 2002 by golinofr>  
**Review Markings:**

Declassified/Released  
US Department of State  
EO Systematic Review  
30 JUN 2005

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** KUWAITI POSITION ON LIFTING THE OIL EMBARGO  
**TAGS:** ENRG, KU, US  
**To:** STATE INFO JIDDA  
**Type:** TE  
**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005